

**AUTOMOTIVE HARDWARE LIMITED**

ANNUAL REPORT 1977



# AR47

## **Subsidiary Companies**

DOCAP CORPORATION LIMITED

AUTOMATIC SCREW  
MACHINE PRODUCTS LIMITED

FEDERAL BOLT & NUT CORPORATION  
LIMITED

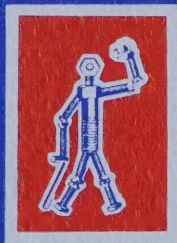
PLANET STEEL LIMITED

**55 Brown's Line      Toronto, Canada**

**M8W 3S4**

## **AUTOMOTIVE HARDWARE LIMITED**

### **and Subsidiary Companies**



## **Interim Report to Shareholders**

for six months ended June 30, 1977



# AUTOMOTIVE HARDWARE LIMITED

## and Subsidiary Companies

### TO THE SHAREHOLDERS:

To offset the results of a competitive market and rising costs, Automotive Hardware introduced in 1977 a more aggressive marketing program, new products, and the use of high-speed equipment, the effects of which were only partly shown in the second quarter of 1977; the full effects thereof should reflect favourable earnings for the balance of the year.

Sales for the first half of 1977 were \$18.2 million, an increase of \$1 million over the \$17.2 million for the same period in 1976. Earnings of \$1.65 for the first half of 1977 (including extraordinary income of 26¢ per share) compared with \$1.63 (including extraordinary income of 2¢ per share) in the same period of 1976. The extraordinary income arose from the disposition of machinery and equipment no longer required as a result of their replacement by modern high-speed machinery and equipment.

The 1977 interim earnings reported do not reflect the effect of the proposal in the March 31, 1977 Federal Budget which provides for a reduction in calculating taxable income of 3% of the amount of the inventory at the beginning of 1977. If this proposal is ratified it will have the effect of increasing the earnings for the first half of 1977 by approximately 9¢ per share.

Automotive Hardware continued to show strong liquidity. The working capital as at June 30, 1977 was \$17.7 million compared to \$17 million as at January 1, 1977, an increase of \$700 thousand.

The Company dividend policy has remained stable and is being paid at the annual rate of 80¢ per share on Class A shares, and 68¢ per share on tax deferred Class B shares.

As previously reported construction of the addition to our Toronto manufacturing and warehouse facility was commenced in 1977, and we now report that it is nearing completion in the early fall.

Current trends in the Company indicate increase in volume through export sales as well as domestic sales for the balance of the year.

August 23, 1977

*On behalf of the Board*  
IRWIN GOLDHART, *President*

**Automotive Hardware Limited and Subsidiary Companies**  
**Comparative Consolidated Statement of Earnings (Unaudited)**  
**for the six months ended June 30**

	<u>1977</u>	<u>1976</u>
Sales .....	\$18,215,087	\$17,264,867
Cost of Goods Sold and Operating Expenses Exclusive of Items Shown Below.....	<u>15,352,628</u>	<u>14,121,348</u>
	\$ 2,862,459	\$ 3,143,519
Depreciation .....	\$ 431,640	\$ 378,290
Interest on Long Term Debt.....	130,622	133,542
Amortization of Debenture Discount.....	<u>4,413</u>	<u>4,371</u>
	566,675	516,203
Earnings from Operations before Income Taxes	\$ 2,295,784	\$ 2,627,316
Income Taxes.....	<u>988,383</u>	<u>1,162,627</u>
Net Operating Earnings for Period .....	\$ 1,307,401	\$ 1,464,689
Extraordinary Income, Net of Taxes.....	<u>244,089</u>	<u>15,635</u>
Total Net Income.....	<u>\$ 1,551,490</u>	<u>\$ 1,480,324</u>

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	<u>1977</u>	<u>1976</u>
Earnings per Share		
On Shares Outstanding.....	<u>938,940</u>	<u>908,530</u>
	\$1.65	\$1.63
On Potential Full Dilution .....	<u>\$1.39</u>	<u>\$1.33</u>

**Automotive Hardware Limited and Subsidiary Companies**  
**Comparative Consolidated Statement of Changes in Financial Position**  
**for the six months ended June 30**

	<u>1977</u>	<u>1976</u>
Sources of Funds:		
Total Net Income for the Period .....	\$ 1,551,490	\$ 1,480,324
Depreciation .....	431,640	378,290
Amortization of Debenture Discount .....	4,413	4,371
Funds from Operations	\$ 1,987,543	\$ 1,862,985
Principal Repayments of Mortgage Receivable .....	8,241	7,694
Deferred Tax Credit Adjustment .....	151,156	137,521
Increases in Share Capital .....	81,104	69,027
	<u>\$ 2,228,044</u>	<u>\$ 2,077,227</u>
Uses of Funds:		
Purchase of Fixed Assets (less Proceeds of Disposals) .....	\$ 967,191	\$ 422,498
Reduction in Long Term Debt .....	163,775	41,974
Dividends Declared .....	375,523	363,146
Increase in Working Capital as set out below .....	721,555	1,249,609
	<u>\$ 2,228,044</u>	<u>\$ 2,077,227</u>
Changes in the Elements of Working Capital:		
Working Capital January 1 .....	\$17,036,335	\$15,047,626
Current Assets — Increase (Decrease)		
Accounts Receivable .....	\$ 874,425	\$ 970,698
Inventories .....	1,639,466	(1,084,014)
Sales Tax and Duty Drawback Claims Outstanding .....	(22,841)	31,741
Prepaid Expenses and Deposits .....	100,563	103,622
Income Taxes Overpaid .....	(24,610)	574,002
	<u>\$ 2,567,003</u>	<u>\$ 596,049</u>
Current Liabilities — Increase (Decrease):		
Bank Indebtedness .....	\$ 395,502	\$(1,473,373)
Accounts Payable and Accrued Liabilities .....	1,148,861	813,413
Dividends Payable .....	1,168	1,068
Loan Payable .....	329,000	—
Current Portion of Long Term Debt .....	(29,083)	5,332
	<u>\$ 1,845,448</u>	<u>\$ (653,560)</u>
Net Increase in Working Capital .....	721,555	1,249,609
Working Capital June 30 .....	<u>\$17,757,890</u>	<u>\$16,297,235</u>



## Comparisons

Year Ended December 31	1977	1976	1975
Sales . . . . .	<b>\$34,542,729</b>	\$33,369,853	\$33,181,522
Income Before Income Taxes . . . . .	<b>\$ 3,767,956</b>	\$ 4,535,992	\$ 7,324,282
Income Taxes . . . . .	<b>\$ 1,491,786</b>	\$ 2,009,384	\$ 3,576,644
Net Earnings . . . . .	<b>\$ 2,610,085</b>	\$ 2,542,998	\$ 3,747,638
Net Earnings Per Share* . . . . .	<b>\$ 2.77</b>	\$ 2.73	\$ 4.15
Shareholders' Equity . . . . .	<b>\$22,067,785</b>	\$20,103,970	\$17,877,317
Equity Per Share* . . . . .	<b>\$ 23.45</b>	\$ 21.55	\$ 19.79
Working Capital . . . . .	<b>\$16,700,248</b>	\$17,036,335	\$15,047,626
Working Capital Ratio . . . . .	<b>4.48:1</b>	7.14:1	3.66:1
Dividends Per Share . . . . .	<b>80¢</b>	80¢	75¢

\*Based on 941,190 outstanding in 1977; 933,100 outstanding in 1976 and 903,190 outstanding in 1975.

## President's Message to Shareholders



In the face of the severe competition continuing within our Industry and the generally depressed business activity in Canada and on this continent, the slight increase in sales from \$33.4 million in 1976 to \$34.5 million in 1977 is an achievement worth noting.

However, continuing increased costs such as materials, labour, utilities, etc. resulted in earnings remaining at about the same level as the previous year.

Earnings in 1977 amounted to \$2.6 million compared with \$2.5 million the previous year. Expressed in terms of earning per share the 1977 figure was \$2.77 which includes 35¢ attributable to extraordinary income from sale of

equipment, whereas the 1976 figure was \$2.73 including 2¢ of extraordinary income.

While somewhat early to reach a firm conclusion, we nevertheless can report that we see quite strong evidence in our sales for the first quarter of 1978 that an upturn in business activity may have commenced in Canada.

We link this feeling, with a great deal of satisfaction, to our completion and occupancy of an 85,000 sq. ft. extension to our manufacturing and storage facilities in Toronto; as well as advancing plans for the construction of a new 54,000 sq. ft. warehouse in Winnipeg and an expansion in the area occupied in Vancouver.

Whereas the Statement of Changes in Financial Position discloses a net decrease in working capital of \$336,087, it should be noted that this decrease resulted in part, from the construction of the building addition and the purchase of equipment, at a net total cost of \$3,534,179, most of which was paid for out of current funds of the Company.

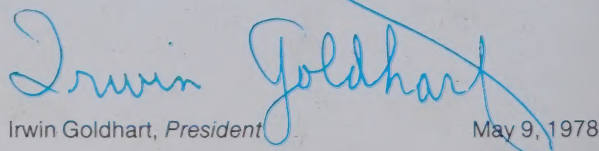
As reported during March in press releases, your Company recently signed a letter of intent with Anaconda U.S. concerning its purchase of the shares of Anaconda Canada Limited, the leading Canadian supplier of copper and brass products located in West Toronto and employing in the order of 800 persons.

This purchase is of course, subject to satisfactory completion of many conditions. We are happy to report however, that one of the most demanding of these conditions was satisfied by the signing on April 24, 1978 of a new 2½ year labour contract by U.A.W. Local 399 and Anaconda Canada Limited.

Dividends continue to be paid at an annual rate of 80¢ per share on the Class A shares and a tax deferred dividend of 68¢ per share on the Class B shares of the Company.

On behalf of the Directors and Senior Management, I extend sincere appreciation to all employees for the high level of performance maintained throughout the year. To our customers and suppliers a heartfelt thanks.

On behalf of the Board of Directors,

  
Irwin Goldhart, President

May 9, 1978



## Automotive Hardware Limited



The conglomerate that is Automotive Hardware Limited has grown from the most primary of beginnings—a small company that made its living buying, storing and selling fasteners.

As it has grown, the range of fasteners handled has expanded steadily until now they number 60,000, sold as few as one at a time or in full pallet quantities.

One of the early milestones of this growth was the acquisition of its first manufacturing subsidiary—Automatic Screw Machine Products Limited in 1945. Then, as volume of sales made this logical, Federal Bolt & Nut Manufacturing Limited was set up in 1958 to produce the most popular of the products sold. Later Docap Corporation Limited was added in 1965, serving essentially the Automotive aftermarket and becoming an instant success as its distribution techniques took full advantage of the country-wide network of Automotive Hardware warehouses. This network continues to expand—pictured above is an artist's painting of the 53,240 square foot warehouse which is planned for Winnipeg, with construction to start in early summer.

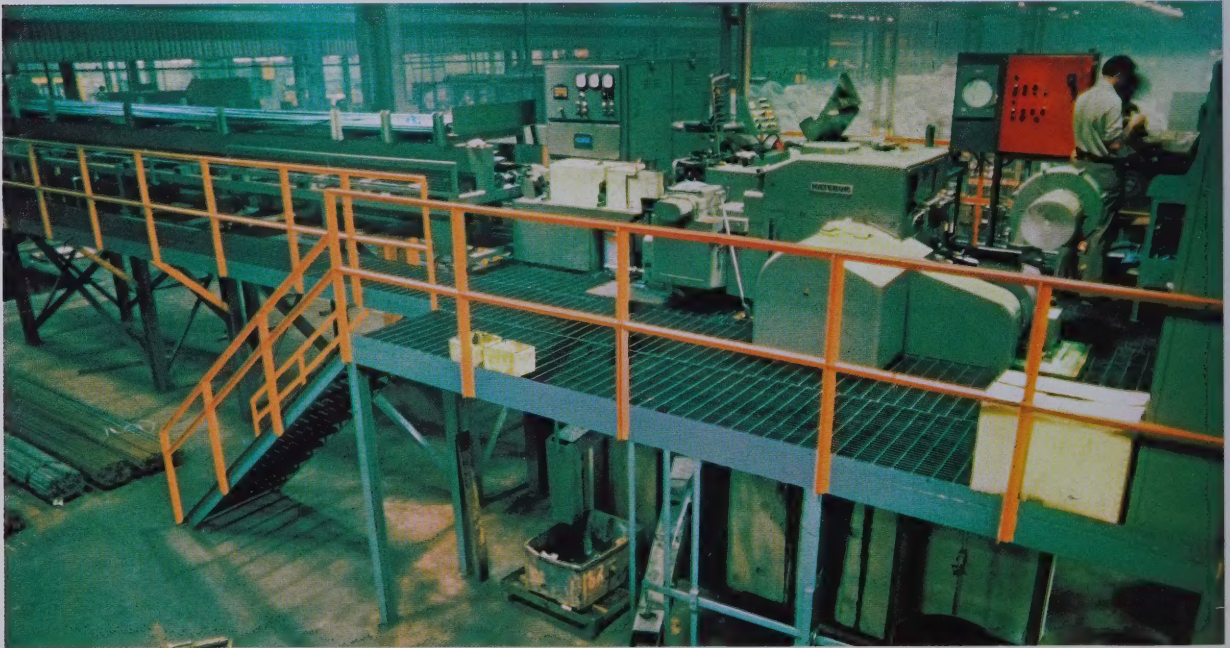
At year-end Automotive took a major step and installed a Data General ECLIPSE C330 computer. This most important step was taken after a very great deal of planning and this computer, now being programmed to handle some of Docap's functions, takes advantage of the latest and most economical of storage techniques. It can store in its current "MEMORY" and employ in its work and analysis a total of one half million characters or "bytes" of information. It has instant access to a filing system, called ON-LINE STORAGE with a capacity of six hundred million such characters.

The introduction of this most powerful of tools into our Company will continue to be handled steadily and with the greatest of care, with the proven manual techniques being run in parallel until our operating staff are fully satisfied. It has adequate capacity to achieve this primary goal and then proceed to a sophisticated control of the entire system serving our customers.

The enlargement of our distribution facilities will enable us to better serve the growing domestic market as well as exporting to countries around the world.



## Federal Bolt & Nut Corporation Limited



From a modest beginning in 1959, Federal Bolt & Nut, the manufacturing arm of Automotive Hardware, has grown steadily. Today it occupies more than half the 384,000 square foot area of the Company's primary facilities in the west end of Metropolitan Toronto.

At every opportunity presented by this phenomenal growth management has insisted that the latest equipment added be the most recently proven machines of the industry and have accumulated at Brown's Line a range of equipment capable of maintaining good profit levels while meeting the rising demands for high quality and quantity.

The natural result of such a programme is that certain major pieces of equipment purchased during the early years be disposed of—to make room in production schedules for the new equipment. Such machines are readily disposed of to areas of the industry and the world where the need to upgrade equipment is not so strong and such sales generated during 1977 a net extraordinary gain of \$333,915.

The picture above illustrates the innovative installation of one of three of our modern hot-nut formers. In contrast with the normal approach, which drops the hot nuts into a pit from which a conveyor was required to deliver them to the receiving buffalo bucket, our machines are mounted on a concrete base extending a full eight feet above floor level, allowing the nuts to simply slide down a chute into the bucket.

Delivery of a fourth hot-nut former has recently been taken and is expected to come on stream during 1978.

Complementing these nut formers are many of the most modern boltmakers, nut tappers, presses and hot headers, producing products that range in size from  $\frac{1}{4}$ " to  $1\frac{1}{2}$ " diameters. Our specialty is the large size industrial and commercial fasteners catering to the needs of a diverse group of industries including general manufacturing, oil and gas, automotive, pulp and paper, mining, agricultural and construction.





Elgin Room  
Docket 14/10/62  
10:00

The fast growing automotive aftermarket in Canada is currently experiencing rapid changes and upheavals in distribution patterns, which, while creating serious problems for some sectors of the industry are providing unparalleled growth opportunities for Docap Corporation Limited.

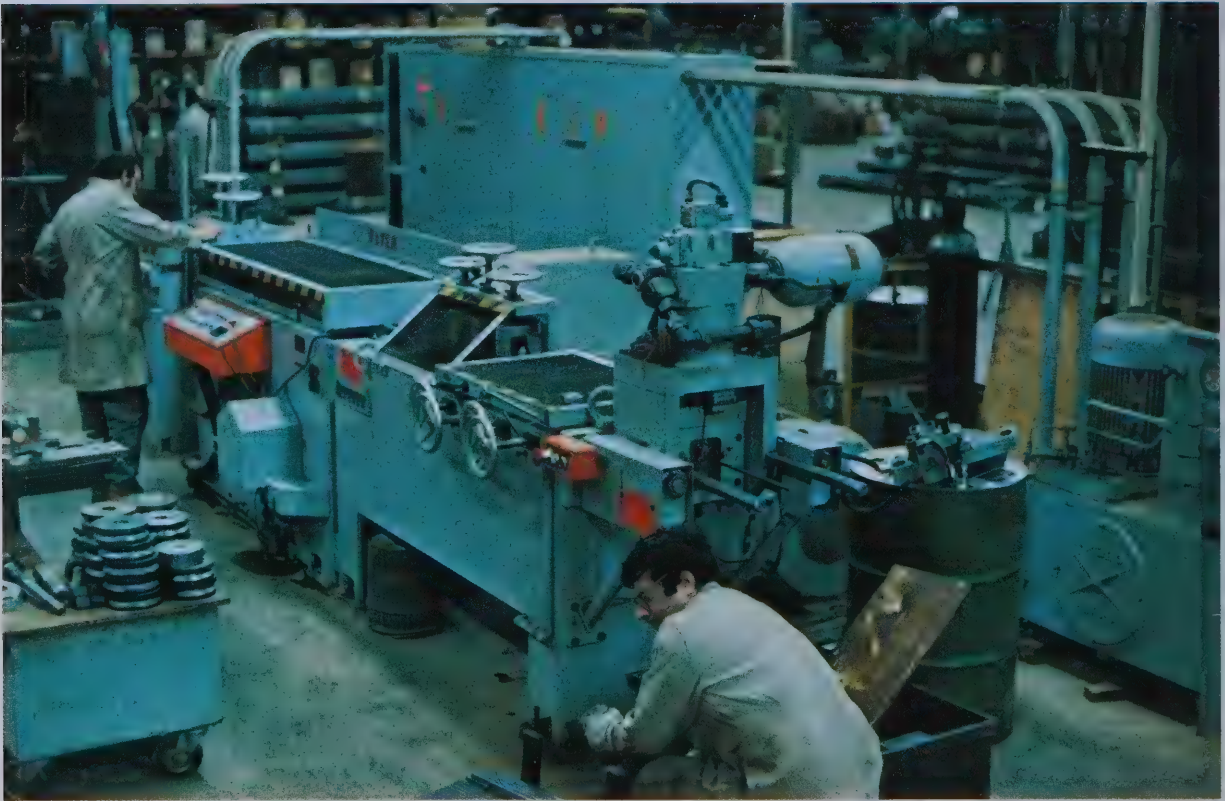
Docap continues to remain sensitive to the demands of the industry and customer requirements in this changing market. At the same time, its expansion program continues with warehouse facilities greatly expanded from 15,000 square feet in 1965 to the current level of 50,000 square feet, additional product lines and more field sales personnel to maintain and improve customer service. At the same time Docap is seeking out new and diverse market outlets for the broad range of its products.

Because the Company has achieved strong market penetration in Canada, Docap has become an attractive outlet for American prime manufacturers of automotive parts and accessories.

Docap sells nuts and bolts plus a full complement of replacement products ranging from copper tubing and lubricants to hand cleansers. Both manufacturing companies and automotive aftermarket distributors are among its regular customers.

With major new lines expected to join the fold, Docap is in the position to gain further strength in the market place. The immediate and long range outlook for strong growth continues to be extremely encouraging.

## Automatic Screw Machine Products Limited



Automatic Screw began manufacturing operations with the incorporation of Automatic Screw in 1945. Automatic Screw manufactures a wide variety of products in brass and steel. Its automatic screw machines produce a range of brass fittings which are sold to the plumbing, instruments and automotive industry. Its fully equipped operation, manufactures all kinds of special products to customer's blueprints and specifications.

In addition, Automatic Screw manufactures a full range of special and standard studs, which are used primarily in pipeline and refining applications, as well as continuous threaded rod, widely used in the construction field. We are also equipped to help customers design special parts for their particular requirements.

This year Automatic Screw added a new Schumag Wire Draw Shear unit, illustrated in the above picture, to its operation. The Schumag reduces our production costs on studs and threaded rod because it draws the wire rods and cuts the material into exact lengths in rapid succession. It also has fast change-over cycle and is easy to operate.

Automatic Screw provides flexibility to our other companies.

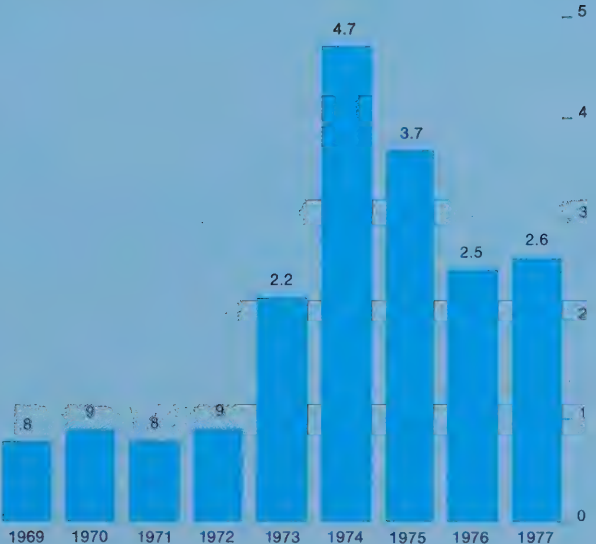


# Graphic Analysis

Sales (Millions)



Net Earnings (Millions)



Equity Per Share (Dollars)



Dividends Per Share (Dollars)



AUTOMOTIVE HARDWARE LIMITED  
AND ITS WHOLLY OWNED SUBSIDIARY COMPANIES

# Comparative Consolidated Balance Sheet

AS AT DECEMBER 31

## ASSETS

	1977	1976
<b>CURRENT ASSETS</b>		
Accounts Receivable (Less Allowance for Doubtful Accounts) . . . . .	<b>\$ 5,796,504</b>	\$ 5,340,898
Inventories at Lower of Cost or Replacement Cost . . . . .	<b>15,112,501</b>	12,480,284
Marketable Securities . . . . .	<b>2,250</b>	2,250
Sales Tax and Duty Drawback Claims Outstanding . . . . .	<b>163,087</b>	237,042
Prepaid Expenses and Deposits . . . . .	<b>162,321</b>	270,790
Corporation Taxes Overpaid . . . . .	<b>265,728</b>	1,481,772
	<b>\$21,502,391</b>	\$19,813,036
<b>MORTGAGE RECEIVABLE—7%, Due 1979 . . . . .</b>	<b>\$ 27,395</b>	\$ 44,166
<b>FIXED ASSETS, AT COST</b>		
Land . . . . .	<b>\$ 912,400</b>	\$ 912,400
Buildings . . . . .	<b>3,571,801</b>	2,691,504
Machinery and Equipment . . . . .	<b>13,137,637</b>	10,973,646
Motor Vehicles . . . . .	<b>367,532</b>	345,961
Leasehold Improvements . . . . .	<b>214,426</b>	212,775
Dies and Small Tools . . . . .	<b>180,000</b>	180,000
	<b>\$18,383,796</b>	\$15,316,286
Less—Accumulated Depreciation . . . . .	<b>7,937,092</b>	7,493,990
	<b>\$10,446,704</b>	\$ 7,822,296
<b>MILL ACQUISITION AND DEVELOPMENT COSTS . . . . .</b>	<b>\$ 985,727</b>	\$ 985,727
<b>UNAMORTIZED DEBENTURE DISCOUNT . . . . .</b>	<b>57,638</b>	64,725
	<b>\$33,019,855</b>	\$28,729,950

The accompanying notes form an integral part of these financial statements.



## LIABILITIES

	1977	1976
CURRENT LIABILITIES		
Bank Loans and Overdraft . . . . .	\$ 780,804	\$ 98,915
Accounts Payable and Accrued Liabilities . . . . .	3,662,046	2,294,847
Dividends Payable . . . . .	188,238	186,620
Current Portion of Long-Term Debt . . . . .	171,055	196,319
	<b>\$ 4,802,143</b>	\$ 2,776,701
LONG-TERM DEBT (LESS CURRENT PORTION ABOVE) . . . . .	<b>\$ 3,621,407</b>	\$ 3,864,939
DEFERRED INCOME TAXES . . . . .	<b>\$ 2,528,520</b>	\$ 1,984,340

## SHAREHOLDERS' EQUITY

CAPITAL STOCK . . . . .	\$ 1,704,275	\$ 1,598,747
CONSOLIDATED RETAINED EARNINGS . . . . .	18,522,439	16,664,152
CONTRIBUTED SURPLUS . . . . .	1,841,071	1,841,071
	<b>\$22,067,785</b>	\$20,103,970
	<b>\$33,019,855</b>	\$28,729,950

Approved on Behalf of the Board of Directors:

IRWIN GOLDHART, Director.

GOLDIE POTASHIN, Director.

AUTOMOTIVE HARDWARE LIMITED  
AND ITS WHOLLY OWNED SUBSIDIARY COMPANIES

## Comparative Consolidated Statement of Earnings

FOR THE YEARS ENDED DECEMBER 31

	1977	1976
Sales . . . . .	<b>\$34,542,729</b>	\$33,369,853
Cost of Goods Sold and Operating Expenses Exclusive of Items Shown Below . . . . .	<b>29,600,263</b>	27,759,993
	<b>\$ 4,942,466</b>	\$ 5,609,860
Depreciation . . . . .	<b>\$ 909,771</b>	\$ 802,428
Interest on Long Term Debt . . . . .	<b>257,652</b>	255,354
Amortization of Debenture Discount . . . . .	<b>7,087</b>	16,086
	<b>\$ 1,174,510</b>	\$ 1,073,868
Income Before Income Taxes . . . . .	<b>\$ 3,767,956</b>	\$ 4,535,992
Income Taxes . . . . .	<b>1,491,786</b>	2,009,384
Earnings from Operations . . . . .	<b>\$ 2,276,170</b>	\$ 2,526,608
Non-Recurring Net Capital Gains (Net After Taxes). . . . .	<b>333,915</b>	16,390
Earnings for the Year . . . . .	<b>\$ 2,610,085</b>	\$ 2,542,998
Earnings Per Share		
Shares Outstanding (See Also Note 12). . . . .	<b>941,190</b>	933,100
—From Operations . . . . .	<b>\$ 2.42</b>	\$ 2.71
—Non-Recurring Net Capital Gains . . . . .	<b>.35</b>	.02
—Net Total for Year . . . . .	<b>\$ 2.77</b>	\$ 2.73

## Comparative Consolidated Statement of Retained Earnings

FOR THE YEARS ENDED DECEMBER 31


	1977	1976
Balance, January 1 . . . . .	<b>\$16,664,152</b>	\$14,857,526
Net Earnings for the Year . . . . .	<b>2,610,085</b>	2,542,998
	<b>\$19,274,237</b>	\$17,400,524
Dividends Declared . . . . .	<b>751,798</b>	736,372
Balance, December 31 . . . . .	<b>\$18,522,439</b>	\$16,664,152

The accompanying notes form an integral part of these financial statements.



# Comparative Consolidated Statement of Changes in Financial Position

FOR THE YEARS ENDED DECEMBER 31

	1977	1976
<b>SOURCES OF FUNDS:</b>		
Earnings for the Year . . . . .	<b>\$ 2,610,085</b>	\$ 2,542,998
Depreciation . . . . .	<b>909,771</b>	802,428
Amortization of Debenture Discount . . . . .	<b>7,087</b>	16,086
<b>FUNDS FROM OPERATIONS . . . . .</b>	<b>\$ 3,526,943</b>	\$ 3,361,512
Principal Repayments of Mortgage Receivable . . . . .	<b>16,771</b>	15,657
Increases in Share Capital . . . . .	<b>105,528</b>	420,027
Deferred Income Tax Adjustment . . . . .	<b>544,180</b>	539,281
Reduction in Working Capital as Set Out Below . . . . .	<b>336,087</b>	—
	<b>\$ 4,529,509</b>	\$ 4,336,477
<b>USES OF FUNDS:</b>		
Purchase of Fixed Assets . . . . .	 <b>\$ 3,534,179</b>	\$ 1,391,905
Reduction of Long-Term Debt . . . . .	<b>243,532</b>	219,491
Dividends Declared . . . . .	<b>751,798</b>	736,372
Increase in Working Capital as Set Out Below . . . . .	<b>—</b>	1,988,709
	<b>\$ 4,529,509</b>	\$ 4,336,477
<b>CHANGES IN THE ELEMENTS OF WORKING CAPITAL</b>		
<b>WORKING CAPITAL JANUARY 1 . . . . .</b>	<b>\$17,036,335</b>	\$15,047,626
<b>Current Assets—Increase (Decrease):</b>		
Accounts Receivable . . . . .	<b>\$ 455,606</b>	\$ 66,360
Inventories . . . . .	<b>2,632,217</b>	(1,849,832)
Sales Tax and Duty Drawback Claims Outstanding . . . . .	<b>(73,955)</b>	80,567
Prepaid Expenses and Deposits . . . . .	<b>(108,469)</b>	117,784
Corporation Taxes Overpaid . . . . .	<b>(1,216,044)</b>	682,889
	<b>\$ 1,689,355</b>	\$ (902,232)
<b>Current Liabilities—Increase (Decrease):</b>		
Bank Loans and Overdraft . . . . .	<b>\$ 681,889</b>	\$ (3,180,660)
Accounts Payable and Accrued Liabilities . . . . .	<b>1,367,199</b>	310,797
Dividends Payable . . . . .	<b>1,618</b>	5,982
Current Portion of Long-Term Debt . . . . .	<b>(25,264)</b>	(27,060)
	<b>\$ 2,025,442</b>	\$ (2,890,941)
<b>NET INCREASE (DECREASE) IN WORKING CAPITAL . . . . .</b>	<b>\$ (336,087)</b>	\$ 1,988,709
<b>WORKING CAPITAL DECEMBER 31 . . . . .</b>	<b>\$16,700,248</b>	\$17,036,335

The accompanying notes form an integral part of these financial statements.

# Notes to Consolidated Financial Statements

DECEMBER 31, 1977

## 1. BASIS OF CONSOLIDATION

The accompanying financial statements combine the accounts of Automotive Hardware Limited and its wholly owned subsidiary companies.

All material inter-company transactions and balances on the above-mentioned statements were eliminated for consolidation purposes.

## 2. DEPRECIATION

Depreciation on fixed assets in use was computed at the maximum normal rates allowed by The Income Tax Act except for Federal Bolt & Nut Corporation Limited, which was computed at 7½% straight line rate for all equipment. Tools and dies were expensed in the year during which the related equipment was used except for \$180,000 which was capitalized in 1960.

## 3. INCOME TAXES—PAYABLE AND DEFERRED

The companies follow the tax allocation principle of providing for income taxes. Under this principle (a) the earnings statement reflects income tax expense based on consolidated operating results; (b) income taxes payable are calculated on the basis of each company's taxable income; and (c) the difference between income tax expense under (a) above and income taxes payable under (b) above is reflected as an adjustment to deferred income taxes on the balance sheet.

Investment tax credits are recorded in the year of the related capital expenditures by a reduction of income tax expense. Income tax expense has been reduced by investment tax credits of \$35,669 (\$65,345 in 1976).

## 4. LONG-TERM DEBT (SECURED)

	YEAR OF FINAL PAYMENT	BALANCE AS AT DECEMBER 31	
		1977	1976
Equipment Contracts Payable . . . . .	1982	\$ 373,876	\$ 483,046
Realty Mortgage 6% . . . . .	1986	624,701	676,327
Realty Mortgage 10% . . . . .	1980	107,500	117,500
Realty Mortgage 10% . . . . .	1980	64,885	69,885
Realty Mortgage 10% . . . . .	1981	115,500	125,500
Convertible Debenture—Series A, 6% . . . . .	1989	2,506,000	2,589,000
		<u>\$3,792,462</u>	<u>\$4,061,258</u>
Less—Amounts Due Within One Year . . . . .		171,055	196,319
		<u>\$3,621,407</u>	<u>\$3,864,939</u>

### 6% CONVERTIBLE DEBENTURE SERIES A, DUE JULY 2, 1989.

- This debenture, issued July 2, 1969, is secured by a floating charge on the assets of Automotive Hardware Limited and its wholly owned subsidiary companies. Interest is paid semi-annually;
- Each debenture is convertible at the holder's option at any time up to July 2, 1979, at a conversion rate of 70 Class A shares per \$1,000 principal amount;
- In each of the years 1980 to 1988, the Company is obliged to pay to the trustee, by way of a sinking fund, sums sufficient to retire on July 2 in each of such years, 10% of the aggregate principal amount outstanding on July 3, 1979;
- During 1977, debentures totalling \$83,000 were converted into 5,810 Class A shares.

5. (a) CAPITAL STOCK

Authorized:

3,500,000 Class A, Voting, Convertible Shares Without Par Value

3,500,000 Class B, Voting, Convertible Shares Without Par Value

260,000 Common Shares Without Par Value

Outstanding and Fully Paid:

	1977		1976	
	NUMBER	AMOUNT	NUMBER	AMOUNT
January 1—Class A . . . . .	196,190		195,840	
—Class B . . . . .	736,910		707,350	
	<u>933,100</u>	<u>\$1,598,747</u>	<u>903,190</u>	<u>\$1,178,720</u>
Debenture Conversion . . . . .	5,810	83,000	28,280	404,000
Employee Stock Options . . . . .	2,280	22,528	1,630	16,027
	<u>941,190</u>	<u>\$1,704,275</u>	<u>933,100</u>	<u>\$1,598,747</u>
December 31—Class A . . . . .	201,965		196,190	
—Class B . . . . .	739,225		736,910	
	<u>941,190</u>		<u>933,100</u>	

(b) CONVERSION PRIVILEGE OF 6% CONVERTIBLE DEBENTURE, SERIES A

The Company has reserved 175,420 Class A shares to meet the conversion privilege of the holders of the debenture.

(c) EMPLOYEES' STOCK OPTION PLAN—CLASS A SHARES

	NUMBER OF SHARES	
	UNDER OPTION	AVAILABLE FOR OPTION
Balance, at January 1, 1977 . . . . .	34,270	42,170
Options Granted . . . . .	—	—
Options Terminated . . . . .	(720)	
Options Exercised for Consideration of \$22,528 . . . . .	(2,280)	(2,280)
Balance, at December 31, 1977 . . . . .	<u>31,270</u>	<u>39,890</u>

Options are outstanding to 27 employees (including options on 6,000 shares to 3 directors) at 90% of market value at the time of granting.

6. CONTRIBUTED SURPLUS

Net excess of equity of the subsidiary companies over the cost of their acquisition by Automotive Hardware Limited as at December 31, 1977. (Unchanged from 1976.) . . . . . \$1,841,071

7. ANTI-INFLATION ACT

The Company is subject to and believes it has complied with controls over prices, profit margins, compensation and dividends under the federal government's Anti-Inflation Program.

8. COMMITMENTS

(a) LEASES

The Company and its subsidiary companies, have entered into leases terminating at various times up to 1986. Total commitments under such leases were: 1977—\$1,130,672; 1976—\$1,193,037; plus realty taxes in each year as applicable.



## Notes (continued)

(b) PENSION PLANS		1977	1976
The Company has made the following payments:			
Contributory Plan . . . . .		\$ 86,533	\$100,542
Non-Contributory Plans . . . . .		215,972	90,217
Past service funding of the non-contributory plans' requirements are currently estimated to be \$48,723 annually for each of the next eight years.			
(c) Bank loans were secured by a registered assignment of accounts receivable.		1977	1976
(d) Letters of credit outstanding totalled . . . . .		\$695,639	\$450,349
(e) EQUIPMENT			
At December 31, 1977, the Company and its wholly owned subsidiary companies had entered into commitments to purchase production equipment aggregating approximately \$225,000.			
(f) On March 24, 1978, a newly incorporated subsidiary company signed a letter of intent addressed to The Anaconda Company of Waterbury, Connecticut, to purchase all of the issued and outstanding shares of Anaconda Canada Limited at a net cost of \$21½ million, subject to certain conditions, adjustments and terms.			
9. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS		1977	1976
Total Direct Remuneration . . . . .		\$423,237	\$402,902
Company Contributions to Pension Plans . . . . .		\$ 6,772	\$ 8,679
Number of Directors and Senior Officers . . . . .		9	9
10. Pursuant to lease commitments Irwin Goldhart Investments Limited, of which Company Mr. Irwin Goldhart is the Shareholder and President, received rentals totalling \$124,806 from Automotive Hardware Limited, of which Company he is the President, for warehouses in Vancouver, Montreal and Dartmouth.			
11. CONTINGENT LIABILITIES			
(a) In 1978, a former employee of a subsidiary company instituted an action in the Supreme Court of Ontario, claiming an amount in excess of \$1,000,000, but the Company denies that it is indebted or liable for any sum whatsoever. The Company's counsel, as well as special counsel retained, are of the opinion that the subsidiary company has a good and valid defence to such claims.			
(b) An assessment in the amount of \$80,000 by Revenue Canada, Customs and Excise Division, against a subsidiary company is under appeal, and has not been reflected in the attached financial statements.			
12. EARNINGS PER SHARE		1977	1976
Shares Outstanding . . . . .		941,190	933,100
Shares Reserved re Debenture . . . . .		175,420	181,230
Shares Reserved re Employee Options Granted and Outstanding . . . . .		31,270	34,270
Shares Outstanding and Reserved . . . . .		1,147,880	1,148,600
Earnings per Share on Shares Outstanding . . . . .		\$2.77	\$2.73
Diluted Earnings per Share, Based on			
Shares Outstanding and Reserved . . . . .		\$2.35	\$2.30
Imputed Increase in After Tax Earnings Based on			
Potential Funds Derived from the Issuance of all Shares Reserved . . . . .		\$91,844	\$101,302

# Auditors' Report

To the Shareholders of  
Automotive Hardware Limited:

We have examined the consolidated balance sheet of Automotive Hardware Limited and its wholly owned subsidiary companies as at December 31, 1977, and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1977 and the results of their operations and the changes in their financial position for the year then ended, all in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada. MILLER, STONE, SAPERIA AND ISAACS  
May 3, 1978. Chartered Accountants.

## AUTOMOTIVE HARDWARE LIMITED AND ITS WHOLLY OWNED SUBSIDIARY COMPANIES

### Nine Year Financial Summary

(THOUSANDS EXCEPT WHERE INDICATED\*)

	1977	1976	1975	1974	1973	1972	1971	1970	1969
Sales	<b>\$34,543</b>	\$33,370	\$33,182	\$34,066	\$24,541	\$19,464	\$17,531	\$15,767	\$15,235
Earnings Before Taxes	<b>3,768</b>	4,536	7,324	9,054	4,205	1,740	1,663	1,906	1,836
Net Earnings	<b>2,276</b>	2,527	3,748	4,697	2,217	958	824	906	817
Net Profit Margin	<b>7.6%</b>	7.6%	11.3%	13.8%	9.0%	4.9%	4.7%	5.7%	5.4%
Earnings Per Share*	<b>\$2.77</b>	\$2.73	\$4.15	\$5.21	\$2.46	\$1.06	92¢	\$1.01	91¢
Total Assets	<b>\$33,020</b>	\$28,730	\$29,074	\$24,482	\$20,366	\$17,300	\$16,546	\$15,719	\$13,830
Long Term Debt	<b>3,621</b>	3,865	4,084	4,107	4,081	4,287	4,542	4,584	4,308
Shareholders' Equity	<b>22,068</b>	20,104	17,877	14,788	10,519	8,501	7,759	7,316	6,572
Equity Per Share*	<b>23.45</b>	21.55	19.79	16.40	11.67	9.45	8.62	8.13	7.30
Working Capital	<b>16,700</b>	17,036	15,048	12,384	7,866	7,183	7,069	7,018	6,713
Dividends Per Share	<b>80¢</b>	80¢	75¢	48¢	24¢	24¢	24¢	18¢	—

\*Based on shares outstanding:

1977—941,190; 1976—933,100; 1975—903,190;  
1974—901,850; 1969-1973—900,000.



# Automotive Hardware Limited

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## Head Office:

55 Brown's Line,  
Toronto, Ontario

## Subsidiaries:

Automatic Screw Machine Products Limited  
Federal Bolt & Nut Corporation Limited  
Docap Corporation Limited  
Planet Steel Limited

## Branch Warehouses

Vancouver, British Columbia  
Edmonton, Alberta  
Calgary, Alberta  
Winnipeg, Manitoba  
Toronto, Ontario  
Montreal, Quebec  
Dartmouth, Nova Scotia

## Directors

Irwin Goldhart,  
President,  
Automotive Hardware Limited

Frances A. Reid,  
Vice-President,  
Automotive Hardware Limited

Goldie Potashin,  
Secretary-Treasurer,  
Automotive Hardware Limited

Sidney Goldhart,  
Vice-President,  
Docap Corporation Limited

Ross M. Hanbury,  
Consultant

Harry L. Mendelson, Q.C.,  
Barrister and Solicitor

## Officers

Irwin Goldhart, President  
Frances A. Reid, Vice-President  
Goldie Potashin, Secretary-Treasurer  
Manuel Harris, C.A., Comptroller

## Registrar, Transfer Agent and Trustee

National Trust Company Limited  
Montreal, Toronto, Winnipeg, Calgary and Vancouver

## Bankers

Canadian Imperial Bank of Commerce

## Auditors

Miller, Stone, Saperia and Isaacs  
Chartered Accountants

## Shares Listed

Toronto Stock Exchange





